

Blue Cross Blue Shield of Vermont

State of Vermont Health Insurance Taxes, Fees and Assessments

April 13, 2017

We'll see you through.



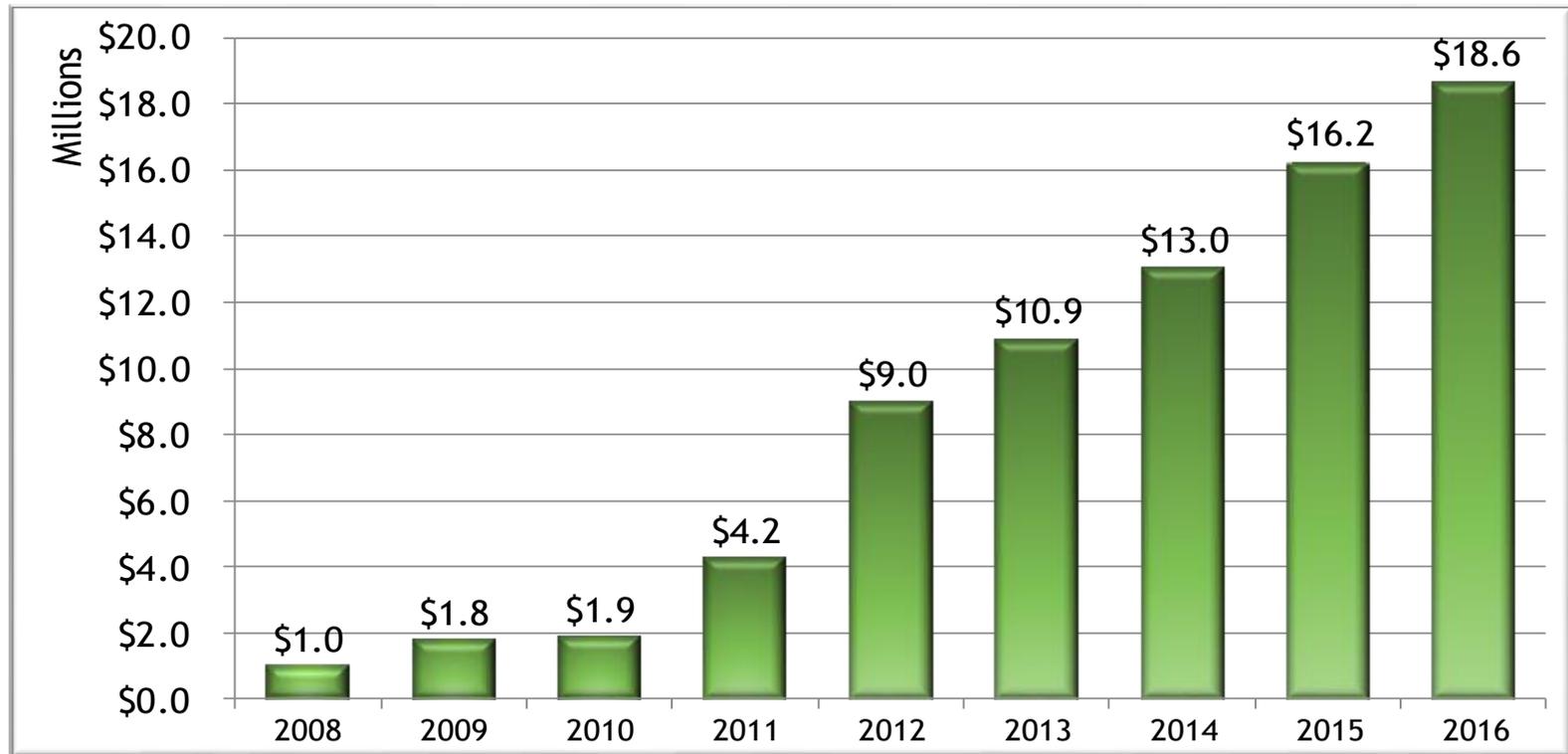
**BlueCross BlueShield
of Vermont**

An Independent Licensee of the Blue Cross and Blue Shield Association.

Context

- Over last several years, Vermont has implemented many new health care reform programs and expanded its regulatory infrastructure
- Generally, funding for reform has been created via new or increased fees charged to the health care industry, particularly insurance carriers
 - BCBSVT is largest commercial carrier in VT, with over 70% market share
- BCBSVT is a single-state, independent licensee of the BCBS Association
 - Non-profit
 - No access to capital markets
 - Primary revenue source is insurance premiums
- Vermont state taxes, fees and assessments must be charged directly to customers in premiums
 - As a single-state Blue Plan, all of BCBSVT's customers are Vermonters and/or employees of Vermont-based companies
- Fees have increased nearly twenty-fold over the last eight years

Historical Vermont Taxes and Fees - BCBSVT*



- Increases in 2011 (partial year) and 2012 (full year) related to enactment of HCCA
- 2015 increase due to catch-up of GMCB bill back fees and BluePrint expansion
- 2016 increase due to further BluePrint increases
- 8-year compound annual growth rate (CAGR) of approximately **45%**

* Includes amounts assessed to BCBSVT and TVHP combined

Vermont Taxes and Fees Detail - BCBSVT

Item	Booked 2015	Booked 2016
Blueprint for Health	\$ 5,742,710	8,248,823
Health Care Claims Assessment*	7,207,797	7,413,883
VITL fee*	1,792,940	1,844,204
GMCB bill back	963,708	597,765
VT Program for Quality	349,292	188,970
DFR exam assessments	-	168,520
Rule 9-03 review assessments	109,139	118,854
Medicare Supplement review	42,431	52,568
DFR exchange/stop loss consultant review	-	9,925
Form and rate filings	3,130	2,565
DFR financial analysis	555	820
Annual statement filing fees	200	200
Total	\$ 16,211,902	18,647,097

* Components of the Health Care Claims Tax are broken out separately

Impact on BCBSVT Customer Premiums

2016 Vermont Taxes and Fees*

	Insured Large Group [^]	QHP	Medicare Supplemental
BCBSVT fees	\$ 1,025,064	6,772,762	78,934
TVHP fees	970,076	-	129,717
Total fees	\$ 1,995,140	6,772,762	208,651
BCBSVT members	13,524	71,123	3,543
TVHP members	3,198	-	6,175
Total members	16,722	71,123	9,718
BCBSVT PMPM	\$ 6.02	8.11	1.82
TVHP PMPM	20.11	-	1.91
Total PMPM	\$ 9.12	8.11	1.88
BCBSVT % of premium	1.3%	1.8%	0.9%
TVHP % of premium	5.0%	0.0%	1.2%
Total % of premium	2.1%	1.8%	1.1%

* Amounts will not tie exactly to rate filings, which are projections and are based on information available at the time. Exhibit includes only fully insured segments; remainder of fees are charged to self-funded business.

[^] BCBSVT and TVHP are combined into one large group rate filing; the amount flowing to rates for both entities is approximately the combined PMPM.

GMCB Bill Back - FY 2018 Proposal

- Historical bill backs

Fiscal Year	Bill Back	Increase over Prior Year	CAGR
2013	\$ 395,000		
2014	890,000	125.3%	
2015	1,474,300	65.7%	93.2%
2016	1,546,407	4.9%	57.6%
2017	2,045,925	32.3%	50.9%
2018 (Proposed)	3,743,883	83.0%	56.8%

- Projected BCBSVT share of bill backs

Fiscal Year	BCBSVT	TVHP	Total
2016	\$ 386,602	279,555	666,157
2017	511,481	370,000	881,481
2018 (Proposed)	935,971	675,000	1,610,971

General Recommendations Related to Vermont Taxes and Fees

- Review and regularly update methodology for allocating fees to health care system (ACOs, hospitals, insurance carriers, etc.)
- Complete Return on Investment calculations for each program; validate data against actual results
 - Evaluate existing programs and eliminate those without a demonstrated, positive ROI
 - Complete ROI analysis before implementing new programs
- Solicit input from health care experts (hospitals, insurance carriers, etc.) when considering new or proposed legislation

Questions / Discussion

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